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THE FISCAL SYSTEM OF EGYPT.[1]

It is often said that in Egypt the beginning and end of all things is finance. Like most epigramatic statements this is undoubtedly an exaggeration, but it is nevertheless true that there are few instances known to history, where questions of public finance have played such an important rôle in determining the political and social condition of a people as in Egypt. This close dependence of the welfare of the Egyptian people upon the administration of the government finances is due to the peculiar character of the country itself. The Egypt of geography has an area of approximately four hundred thousand square miles, "an area seven times as great as New England". The practical Egypt of the present day, however, comprises a much smaller area. It is estimated that only ten thousand five hundred square miles are under cultivation. The entire cultivated area lies in the Nile valley and Delta, so that the Egypt of to-day, no less than that of the time of Herodotus is "the gift of the Nile." The prosperity of the Egyptian people is therefore indissolubly connected with the vicissitudes of that great river. It is only as the Nile can be brought under control, its wonderful life giving powers utilized, and its destructive powers eliminated that Egypt may hope to attain the greatest

[1] The principal sources from which the material used in this article has been drawn are: The Annual Reports by Lord Cromer on the Finances, Administration and Condition of Egypt, and the Progress of Reforms. "The Statesman's Year Book," 1899. "The Expansion of Egypt," by A. Sylva White. "England in Egypt," by Sir Alfred Milner. "Lord Cromer," by H. D. Trail, and "Present Day Egypt," by Frederic C. Penfield. The works of Mr. White and Mr. Milner I have found especially helpful.

economic prosperity. For a work of such a portentous character in that country private initiative is not to be depended upon. The Egyptian people must look to the administration of the government. The cultivated area of Egypt has a population of about 928 to the square mile, a density greater than that of any European country. The economic condition of the Felláhin is a low one. Their hard labor yields little more than the merest subsistence. They are an ignorant, improvident and as a rule submissive and docile people. Under such conditions questions of taxation have more than ordinary social significance. The power of the wealthier classes until recently has been sufficient to enable them to throw most of the burden of taxation upon the poor peasants. Ground down by excessive and inequitable taxation, the Felláhin were forced to resort to European money lenders, but these, in turn, they soon found to be even harder taskmasters than the officials. The prosperity of these agricultural laborers, however, in the long run is the prosperity of Egypt. Their labor is the source of the greater part of its wealth.

Not only is the economic welfare of the Egyptian people thus most intimately related to the administration of the public finances, but the present political relations of Egypt to the great powers of Europe are traceable directly to the recent extravagant administration of her finances. This was the gateway through which the European powers gained their present control in Egyptian affairs.

In 1863 Ismail Pasha succeeded to the throne of Egypt. He found the country prosperous. It would be difficult to improve upon the description of Ismail given by Sir Alfred Milner: "Ismail himself is as fine a type of spendthrift as can well be found, whether in

history or fiction. No equally reckless prodigal ever possessed equally unlimited control of equally vast resources. When Ismail came to the throne in 1863, the debt of Egypt was only a little over three millions. The annual revenue of the country was amply sufficient to meet all needful expenditure, yet by the end of 1876 the debt had risen to eighty-nine millions. A country of six millions inhabitants and only five million acres of cultivated land had added to its burdens at the rate of seven millions a year, and at the same time the taxation of the land had been increased by something like fifty per cent. If the personality of Ismail was an essential factor in the ruin of his country, it needed a whole series of unfortunate conditions to render that personality as pernicious as it actually became. It needed a nation of submissive slaves, not only bereft of any vestige of liberal institutions, but devoid of the slightest spark of the spirit of liberty. It needed a bureaucracy, which it would have been hard to equal for its combinations of cowardice and corruption. It needed the whole gang of swindlers—mostly European—by whom Ismail was surrounded, and to whom, with his phenomenal incapacity to make a good bargain—strange characteristic of a man so radically dishonest—he fell an easy prey." Such extravagance must soon place the Egyptian government at the mercy of its European creditors. But borrowing was not the worst feature of Ismail's extravagance. The vast sums necessary to pay high rates for their risk to European creditors backed by their respective governments, had ultimately to come from the taxpayers of Egypt; and the unjust methods of taxation which Ismail employed were paralyzing to the productive powers of the country.

In 1876 Europe called a halt in behalf of the creditors

of Ismail. For several years preceding that date the great powers had been gradually establishing a sort of control over Egyptian affairs.[1] This control now assumed definite shape in the appointment of Mr. Goschen on the part of *England and M. Joubert on the part of France, with* instructions from their respective governments to investigate the financial situation of Egypt. The preliminary report was presented the same year, and one of its results was the establishment, by a decree dated November 18, 1876, of the dual control. It was in that year also that the powers succeeded in bringing about the establishment of international courts,[2] for the purpose of dealing with certain legal questions between Europeans, or between Egyptians and Europeans, in Egyptian territory.

Before speaking further of the establishment of European control in Egypt, it may be well to look for a moment at the relations existing between Egypt and Turkey. Since 1517 Egypt has been a Pashalic of Turkey. The present relations between the two countries are set forth in the Firman of 1873. This, however, was slightly modified by one of 1879. The Firman of 1873 provides that "the Khedive of Egypt is authorized to make internal regulations and laws as often as it may

[1] "The purchase by Lord Beaconsfield of Ismail's Suez Canal shares (1875) gave Great Britain a *locus standi* which she did not before possess in the control of Egypt, and a share with France in the administration of the canal."—White.

[2] The evils of internationalism in Egypt are especially evident in regard to judicial questions. Egypt has four practically distinct judicial systems, (1) the courts of the religious orders concerned principally with the personal status of Mohammedans, (2) the international courts above referred to, (3) consular courts where foreigners accused of crime are tried, (4) native courts for civil and criminal actions between natives. Under such a system the difficulty of enforcing Egyptian law, especially against foreigners, is only too evident.

be necessary. He is also authorized to renew and to contract (without interfering with the political treaties of my sublime Porte) conventions with the agents of foreign powers. The Khedive has complete and entire control over the financial affairs of the country. He has full power to contract, ... in the name of the Egyptian government, any foreign loan, whenever he may think it necessary." The Firman of 1879 forbids the contracting of new loans without the consent of the existing creditors. Concerning the rights thus granted Sir Alfred Milner says: "No delegation of sovereign power, short of its absolute abandonment, could well have been more complete." It is the opinion of Sir John Scott, late judicial adviser to the Khedive, that inasmuch as these recent Firmans have been declared by Turkey in co-operation with the European powers, the principles of Egyptian autonomy established by them "are not mere emanations of the will of the Sultan which he can sanction to-day and abrogate to-morrow.[1]" *The Times* of January 22, 1899, speaking of the status of Egypt, says: "Taxes are levied and money is struck in the name of the Sultan; and the Khedive can neither part with any of his rights nor abandon any portion of his territory. But as long as he pays his tribute, he is practically independent of the Sultan in all matters of internal administration."

With this digression let us return to the consideration of Egypt's relations with the great powers during the latter part of Ismail's reign. The year 1876 witnessed the introduction of a new factor in Egyptian politics, a factor at the time considered of little importance, but destined soon to become a virtual *imperium in imperio.*

[1] "The Expansion of Egypt," p. 132, *et seq.*

I refer to the establishment of the *Caisse de la Dette.* The Caisse as it is generally called, originally consisted of three foreigners, a Frenchman, an Austrian, and an Italian. England took so little interest in the board at first that she refused to propose a commissioner. These commissioners are appointed nominally by the Khedive, but in reality by the powers respectively which they represent. The original object of the Caisse was rather to protect the interests of Egypt's European creditors, than to represent the powers themselves. Its duties, as set forth in the Decree of May 2, 1876, were principally to receive "the funds necessary for the interest and redemption of the debt," and to apply them to this object exclusively. Certain hypothecated revenues were to be paid regularly to the Caisse. Article III of the decree provided that: "If the payments of the revenue assigned to the debt be insufficient to meet the yearly charges, the special Public Debt Department will demand from the Treasury, through the intermediary of the Minister of Finance, the sums required to complete the half-yearly payment." It was further provided that the Government should not diminish the yield of the hypothetecated taxes, nor contract new loans without the consent of the Caisse. Any surplus which might happen to exist in the hypotheticated revenues at the end of the year was to be paid over to the general treasury. Actions of the Caisse against the government were to be brought in the International Courts. These were the main provisions of the Caisse as originally constituted; its future development will be considered later.

The Dual Control by France and England was suspended by the Decree of December 15th, 1878. It was revived, however, the following year and a Controller-General was appointed by each of the two Powers.

England named Major Baring and France, M. de Blignières. These men bore instructions from their governments to inform the Khedive that the exercise of political influence by any of the other powers would not be permitted. It was becoming pretty evident by this time that France and England intended to control Egypt. Ismail, while making all sorts of promises and concessions, continued his reckless financial policy. Sir Alfred Milner cites one instance in which a debt of £72,000 was redeemed by the surrender of not less than £230,000 of unified stock. In spite of the attempted restrictions of the powers, he succeeded in extending many short loans at extravagant rates, and in anticipating considerable revenue. The inevitable result followed. He was deposed through the influence of the powers in 1879, and a Firman of Investiture decreed the same year, established Taufik upon the throne.

Shortly before his deposition, Ismail, after a long continued opposition, consented to the appointment of a commission, whose duty should be to make a minute examination into the financial and administrative system of Egypt. This commission found the finances of the country in a deplorable condition. Their recommendations for reform were embodied in the Law of Liquidation enacted in July 1880, which together with the London Convention of 1885 and the Khedivial Decree attached thereto, has since constituted the organic law of Egyptian finance.

The principal provisions of the law were as follows: The Egyptian revenues were divided into two nearly equal parts; of these one part went to the Caisse for the benefit of the debt, and the other to the government for purposes of administration. The principles applied to these two budgets were quite different. Any deficit

that might occur in the budget of the Caisse had to be made up by the government. The Caisse, however, could not be called upon to make up out of any surplus which it might have a deficit in the budget of the government. The Caisse besides had certain contingent claims upon any surplus that might come to the government. In this law there appears definitely for the first time that peculiar arrangement, so important in recent Egyptian financial history, known as the "limit of expenditure." Not only is the Egyptian debt given the first claim on the government revenues, leaving the government dependent for its own expenditures upon the remainder, but a limit is set to this remainder. The limit thus established, £4,898,000, was supposed to represent the normal expenditure of the government. It was to include among other charges the tribute payable to the Porte, and the interest due to Great Britain on the Suez Canal shares. The plan, as will be noted, makes no provision for extraordinary expenditures. Principally for this reason it was modified by the Convention of London five years later. The Law of Liquidation also provided for the consolidation of the debt into four great loans, as follows:

Privileged debt[1]	£22,629,800
Unified debt[2]	58,043,326
Daïra loan[3]	9,512,804
Domanis loan[3]	8,500,000
Total	£98,685,930

[1] "The privileges of the Railway Preference Loan, as fixed by the Goschen–Joubert decree of November, 1876, were maintained, and a further issue of £5,744,000 was authorized. The interest on this stock was secured by the railway and telegraph revenue, and constituted a first charge on the other revenue set apart for the service of the unified debt and the revenue of the harbor of Alexandria." The rate of interest was fixed at five per cent.

[2] "The interest on the unified debt was maintained at four per cent., to be paid from the aforesaid revenues assigned to it, and the charge of this

The Dual Control had scarcely been reëstablished and the Law of Liquidation passed, when new troubles appeared on the financial horizon. There was a general spirit of discontent and of reaction against the extravagant and weak kneed policy so long pursued by the Egyptian government. The apparently increasing power of the Turk was unpopular; the people were entirely out of sympathy with European administrations. Not only the government but the people individually were suffering under a great burden of debt. Their taxes were high and the prices which they required for their produce were falling. All this leavened by a spirit of religious fanaticism furnished good material for revolution. The military revolts, little more than demands for arrears of pay on the part of soldiers, were followed by a more extensive and violent insurrection, known from the name of its leader as the Arabi Revolt, which soon grew to such proportions that British and French squadrons were sent to Alexandria. Even their influence was not sufficient to quell the disturbance. There was much destruction of property and considerable blood shed. England appealed to the European Concert, and to the Sultan,—but in vain. France refused to cöoperate with her in any positive measures directed toward the suppression of the revolt. Finally, becoming desperate, England shouldered the responsi-

debt amounting annually to a little more than two millions and a quarter, it was provided that any receipts in excess of this sum should form a sinking fund, to be applied to the purchase and extinction of the stock in the open market."—H. D. Trail, "Lord Cromer," pp. 52, 53.

[3] These loans are secured by mortgages on a property of several hundred thousand acres which once belonged to the Khedivial family. It was given up by them in partial settlement of Ismail's debt. The estates are devoted to the raising of various crops, especially cotton and sugar; the proceeds are used toward paying the interest on the debts, which the property secures. The rate of interest on the Domains loans was fixed at five per cent., and on the Daïra loans at four.

bility and assumed the task alone. The story may be told in a few words. On July 11 and 12, 1882, occurred the bombardment of Alexandria, together with the wanton massacre of thousands of innocent people by Arabi's frenzied followers. On the 20th of August, 1882, Sir Garnet (now Lord) Wolsely arrived in Egypt; on September 13, Arabi's army was completely routed at Teb-el-Kebir; on the 14th, Arabi with his revolutionary army of 10,000 men surrendered at Cairo; and on 15th, Sir Garnet Wolsely, at the head of the British expeditionary forces, entered the city. The revolution had been suppressed, and the authority of the Khedive was again formally established.

The natural result of England's victory at Teb-el-Kebir was the abolition of the Dual Control. This was accomplished by a Decree of January 18th, 1883, and on the last of April a constitution was signed by the Khedive establishing the single control.

This single control by no means signifies that England is given absolute power in the administration of the Egyptian government. The Sultan still retains his suzerainty and France refuses to acknowledge definitely the single control of Great Britain. The great powers continue to be represented in the mixed administrations and in the Caisse de la Dette. Neither the Capitulations nor the Consular Courts have been abolished.[1]

[1] Speaking of these international restrictions Sir Alfred Milner says: "I am sadly conscious how difficult it must be, despite all explanations, for a reader not acquainted with Egypt to realize what difficulties beset the every-day business of government—to say nothing of any large scheme of improvement and reform—in consequence of the countless international fetters in which Egypt is bound, the forts and blockhouses of European privilege with which the country is studded. Wherever you turn there is some obstruction in your path. Do you want to clear out a cesspool, to prevent the sale of noxious drugs, to suppress a seditious or immoral print—you are pulled up by the capitulations. Do you want to carry out some big work of public

The expression "single control" to represent England's share in the political administration of Egypt is an unfortunate one. The exact status of this control, it is impossible to define. It means little more, however, than that within all these hampering limitations, Great Britain has established a control which is far more potent than that exercised by any of the other powers. England's own interpretation of this control is indicated by the famous dispatch of Lord Granville, dated January 4th, 1884. It contains these words: "It should be made clear to the Egyptian ministers and governors of provinces that the responsibility which rests for the time on England, obliges her Majesty's government to insist on the adoption of the policy which they recommend, and that it will be necessary that those ministers and governors who do not follow this course should cease to hold their offices."

The next few years, though full of important events, need not detain us long. They are often spoken of by Englishmen as the "years of gloom." A period of reorganization is generally a period of hardships. The recent experiences of the Egyptians with certain British speculators had not tended to increase their confidence in Englishmen. Add to these facts the rigorous financial measures which the condition of the public debt de-

utility—to dig a main canal, or to drain a city—you are pulled up by the Law of Liquidation. You cannot borrow without the consent of Turkey; you cannot draw upon the reserve fund without the consent of the Caisse; you cannot exceed the limit of expenditure without the consent of the powers. Do you, impeded and hampered on every side, finally lose patience and break through, for however good an object, ... you have a consul-general down upon you at once."

It is to be noted that these advisors and the officers of the various international boards all receive high salaries which are paid out of the Egyptian treasury. The members of the Caisse, for example, are paid an annual salary of ten thousand dollars each for looking after the interests of their own countrymen.

manded, the continuous opposition of France, the great fire in Alexandria, the cholera epidemic, the expensive and disastrous expedition to the Soudan, and we may well realize that England's new position was by no means an easy one.

By 1884 affairs had reached such a pass that a revision of the Law of Liquidation,[1] and the creation of a new loan to meet certain extraordinary expenditures, seemed absolute necessities. For either one of these purposes the consent of the great powers was necessary. After considerable preliminary negotiation, the powers came to an agreement, which was embodied in the London Convention of March, 1885. This convention is a marked improvement on the Law of Liquidation. Its adoption was made possible only after a concession had been made to France providing for the immediate payment of her Alexandrian indemnities, and to Germany and Russia by granting each the right of representation on the Caisse de la Delte. The two most important financial features of the convention were (1) the authorization of a new loan, (2) the modification of the Law of Liquidation in regard to the distribution of the surplus.

The convention empowered the Egyptian government to borrow £9,000,000, the payment of which was to be guaranteed by the powers. It was provided that an annuity of £315,000 should be set aside for the service of the loan, and constitute a first charge upon the revenues

[1] "During the year 1883, the revenues assigned to the debt produced so large a surplus that, after full payment of the interest, it was found possible to redeem £800,000 of the capital. But in the very same year the revenues assigned to administration fell short of the expenditure by more than £E1,600,000. [£E refers to an Egyptian pound. It is the equivalent of £1. 0*s.* 6*d.*] It was clearly ruinous to pay off a funded debt, bearing only four or five per cent. interest, if while so doing the government was obliged to borrow on short loans at much higher rates."—Sir Alfred Milner, "England in Egypt", p. 225.

assigned to the debt. The loan was placed at about three per cent. This annuity, therefore, was sufficient to yield a surplus each year for the reduction of the principal. The loan served to pay off the Alexandrian indemnities, to wipe out the deficit for 1882–1885, and at the same time to leave a surplus of a million dollars which was devoted to new irrigation works.

The other important feature of the convention, the change made in regard to the distribution of the revenues, was in its complexity a typical Egyptian financial measure. The previous division of the revenue into two funds, that assigned to the Caisse, and that assigned to the government, was maintained. An important modification of the Law of Liquidation, however, was made in regard to the distribution of the surplus. Certain expenditures on the part of the government were classified as "authorized" expenditures. The annual sum fixed for these was placed at £E 5,237,000 (in addition to the sums expended on one or two small variable items).[1] Any deficit the government may have in the revenues which are assigned to "authorized" expenditures is made up out of the annual surplus of the Caisse. If the Caisse after paying its coupons and making up this deficit, still has a surplus in its annual revenue, this surplus is divided equally between the Caisse and the government. By this plan the charges on the public debt are protected, and at the same time a much desired elasticity is given to the government revenues. The principal objection to the measure is that it does not go far enough. In a country like Egypt where the welfare of the individual depends so largely upon government expenditure, in a country advancing indus-

[1] Certain new items have been added from time to time by the powers.

trially as rapidly as she is, it is a serious defect in the financial system, that so little provision is made for extraordinary expenditure. A few years ago, before the payment of the debt was so well assured, and before the credit of the government was placed upon a sound footing, it was probably wise to sacrifice administrative expenditures to public credit. Fortunately for some time the payment of the debt has been assured. As long as Egypt can borrow money for three per cent., she need not be seriously worried about her credit.

The need for increased expenditure on irrigation and public works is at the present time so great that this limitation fixed by the London Convention upon unauthorized expenditure is as inexpedient as it is unnecessary. Two methods of providing for additional expenditures otherwise than by doubling the amount desired, in the form of a surplus, are (1) by getting the consent of the powers to include the particular item under the head of "authorized" expenditures, (2) by obtaining special grants from the general reserve fund of the Caisse.[1]

Both of these methods experience has shown to be rather slow and difficult. This difficulty in regard to the former method is well illustrated in the attempt to abolish the Corvée by bringing an expenditure of £E 250,000 under the head of "authorized" expenditures, and substituting the paid labor obtained by this

[1] There are three separate reserve funds connected with the financial administration of the Egyptian government. These are:

(1) The economies resulting from the partial conversion of the debt which took place in 1890. This money cannot be touched without the consent of the Powers.

(2) The general reserve fund which, with the consent of the Caisse de la Dette, can be applied to certain specified objects.

(3) The special reserve fund, which is at the free disposal of the Egyptian government.—Lord Cromer in the Annual Report of 1898.

sum for the fiscal labor of the Corvée. It took over three years to accomplish the result, although the advisability of the change seems to have been generally admitted. The second method of meeting unauthorized expenditures has been within recent years the more effective one. The character and amount of these grants will be seen by reference to Table III (p. 216). This benevolent action on the part of the Caisse is probably in part due to the provision that as soon as the reserve fund exceeds two millions, amortization of the debt takes place through the operation of the sinking fund. Under present conditions the Caisse realizes that the more profitable way of expending this money is on public works.

From what has been said in regard to the Caisse, it will be seen that its actual powers now far exceed those originally assigned to it. At first a mere board of three representatives appointed at the desire of public creditors to receive certain revenues and pay them out for certain specified purposes, it has now become virtually an *imperium in imperio.* The consent of the Caisse must be obtained by the Government for all important financial measures. The commissions, moreover, are the guardians of the rights belonging to their respective governments in all Egyptian affairs. To quote Sir Alfred Milner: "they even possess a certain legislative power, and many decrees recite in their preamble the adhesion of the Caisse to their provisions. Occupying a position of special trust, possessing a special knowledge of the details of a most complex situation, they are the natural advisers of their respective governments on all questions of a financial character which the Egyptian government may be obliged to submit to the approval of the powers."

Egyptian financial administration, aside from the control exercised by the Caisse and the mixed administrative boards, is in reality under the direction of the Khedive's British financial adviser. Next to the British consul-general, this officer is the most influential European representative in Egypt. He has a veto upon all financial legislation. Without his previous approval no measure involving expenditure can hope to pass the council of ministers—the council whose European advisers constitute the real legislative power in Egypt. On the other hand if the financial adviser does not oppose a decree, it is, as a matter of course, adopted.

The Egyptian people through their representatives have very little power over the administration of the government's finances. There are in Egypt two[1] representative assemblies. The Legislative Council and the General Assembly.

The Legislative Council, which meets monthly, consists of thirty members of whom fourteen are nominated by the government and the remaining sixteen by the provincial assemblies. This Council has no power of initiative. "Its duty is to examine the budget and to discuss draft decrees affecting the internal administration. The Council may propose amendments, but the government is not bound to accept them. In case of rejection, however, it must give its reasons to the Council in writing.

The General Assembly consists of the six ministers of state, the thirty members of the Legislative Council, and forty-six notables. Thirty-five of these notables are chosen from the provincial assemblies, and eleven are nominated by the government. This assembly is convoked by special Khedivial decree. It is supposed to

[1] These were established by a decree of the Khedive, May 1, 1883.

meet once in every two years. Like the Legislative Council it has no initiative in legislation. Unlike the Legislative Council, however, it has a veto on taxation. No new tax can be imposed without its sanction.

So far our discussion has been an attempt to show the general principles of the Egyptian financial administration in the light of their more recent historical development. It has been said that the London Convention and the Law of Liquidation constitute the organic law of Egyptian finance. The changes in the general plan of administration since 1885 have been comparatively unimportant and for all practical purposes may be omitted here. The more important side of the discussion yet remains to be considered. What is the actual condition of the revenues and expenditures of Egypt under this system of administration? In other words how has it worked?

Lord Cromer in his annual report for 1898, says:

"The finances of Egypt have passed through at least three distinct phases during the last fifteen years. During the first phase, which lasted from 1883 to about 1888, the whole efforts of the government had to be directed to the maintenance of financial equilibrium. The circumstances were such as to preclude the possibility either of affording fiscal relief, however necessary, or of incurring additional expenditure, even for the most legitimate objects.

"By 1887 all danger of insolvency was over. The efforts of the reformers, notably those of the irrigation officers, began to bear fruit. The period of surplus set in. It was then decided that fiscal relief should take precedence over additional expenditure. The Corvée, which was, in reality, a very heavy and objectionable tax, was therefore abolished at a cost of £ E. 400,000 a year. The land tax was reduced by £ E. 430,000. The professional tax (£ E. 180,000), the sheep and goat tax (£ E. 40,000), the weighing tax (£ E. 28,000), and sundry small taxes (£ E. 31,000) were abolished. In all, a reduction of direct taxation to the extent of £ E. 1,100,000 was accorded. At the same time, the salt tax was reduced by 40 per cent., and the postal and telegraph rates by 50 per cent. The octroi duties were abolished in the smaller provincial towns. The only increase was in the tobacco duty, which was raised from P. I. 14 to P. I. 20 per kilogram.

The period of fiscal relief may be said to have been brought to a close in 1894. It was then thought both possible and desirable to pay more attention than heretofore to the very legitimate demands of the spending departments. Accordingly, money was devoted to remunerative objects, such as drainage and railway extension, and also to others, such as the construction of hospitals, prisons, and other public buildings, the improvements of education, etc., which, although not directly remunerative, are equally necessary to the well being of the country."

The following table gives some idea of the more important items of revenue and expenditure in the Egyptian budget.

CERTAIN IMPORTANT ARTICLES OF THE EGYPTIAN BUDGETS FIXED UPON FOR 1898–1899.[1]

[000 omitted.]

REVENUE.	1898	1899
Land Tax	£ E. 4,873	£ E. 4,661
Customs	850	900
Tobacco	1,000	1,000
Salt	180	183
Railways	1,800	1,920
Telegraphs	47	47
Port of Alexandria	130	145
Justice	426	480
Actions	204	210
All other	830	954
Total Ordinary Receipts	10,440	10,600

EXPENDITURE.	1898	1899
Civil List of Khedive, etc	£ E. 254	£ E. 254
Cost of Administration :		
Council of Ministers	4	4
Legislative Council	8	8
Ministry of Finance	86	87
Public Instruction	105	108
Justice	392	396
Interior	391	394
Foreign Affairs	11	11
Public Works	630	638
Railways	907	957
Ministry of War	440	440
Army of Occupation	85	85
Pensions	439	439
All Other, inc. Tribute and Pub. Debt Charges	6,489	6,699
Total	10,440	10,560

[1] Prepared from a table given in "Statesman's Year Book," 1899.

The land tax, furnishes nearly half the total revenue, in spite of the fact that there has been a considerable reduction in its rate within recent years. The "Statistical Returns" published by the Egyptian government in February, 1898, shows that the actual amount of the land tax in 1897 was less than it was in 1881 by £ E. 85,691. During the same period there has been an increase of about 13 per cent. in the cultivated area paying taxes. The rate of the tax in 1881 averaged £1 2s. od. per feddan, in 1897, only 18s. 3d. This has been in the past one of the most burdensome of Egyptian taxes. Not only has the rate been very high, but the assessment has been made in such a way that the burden of the tax often fell upon those least able to bear it. This state of affairs still continues to a great degree. A commission, however, has been working for some time on plans for reform, which will probably be put into effect very soon. For the purpose of the tax the cultivated land in Egypt is divided into three classes. (1) The so-called "Khargi" lands. These lands constitute nearly three-fourths of the cultivated area. They are theoretically held in life tenure, the state being the ultimate proprietor. The tax on these lands is unequally imposed, but averages about 22s. per feddan.[1] (2) The "Ushuri" or tithe paying lands. These constitute nearly all the remaining land under cultivation. They were originally granted in fee and are subject to a quit-rent averaging about 7 s. per feddan. (3) The "Wakf" lands are lands which have been assigned to mosques for religious or charitable purposes. In addition to these taxes, the landholders are subject to charges of about 4s. per feddan for the materials necessary for the maintenance of the irrigation system. In cases of

[1] 1.04 English acres.

emergency they are still subject to Corvée labor. The land tax is collected by accountants established in the various villages. It is paid in installments, which fall due at the times when the principal crops are harvested. With view of rendering financial assistance to the agricultural population, who owing to their own improvidence and the recent oppressive taxation are as a rule deeply in debt and are often unable to pay their taxes, the Government has recently voted £10,000 as an experiment in making advances of £10 and under to petty landowners.

Next to the land tax the railways are the most important source of Egyptian revenue. Of the 1,238 miles of railway in Egypt on January 1, 1897, 1,166 miles were owned and operated by the government. Several other lines are now under construction. The management of the railways like that of the telegraph and the port of Alexandria is in the hands of one of the mixed international commissions established in 1876. The railway commission is composed of three members, an Englishman, a Frenchman and an Egyptian. By international agreement it was early determined that the working expenses of the government railways should not exceed 45 per cent. of the gross receipts. Inasmuch as no additional allowance was made for renewal or extension of plant, the railways have been considerably handicapped in their development by this provision. Since 1893, however, the Caisse has been coming to the rescue by means of advances from her general reserve fund. The net income of the railways together with that of the telegraph and of the port of Alexandria must be paid over to the Caisse to meet the interest on the privileged debt. The following table compiled from the official Egyptian reports and

the "Statesman's Year-Book" shows the condition of the government railway business for the years 1890 to 1897.

TABLE II.—GOVERNMENT RAILWAYS.

Year.	Line (Miles)	Million Passengers.	Goods Carried. Million Tons.	Gross Receipts. Million £ E.	Net Receipts. Million £ E.	Working Expenses. Million £ E.
1890	961	4.7	1.7	1.4	0.7	0.6
1891	992	5.6	2.1	1.6	0.9	0.7
1892	999	7.0	2.2	1.7	1.0	0.7
1893	1,080	9.3	2.1	1.6	0.9	0.7
1894	1,087	9.8	2.4	1.8	1.0	0.8
1895	1,098	9.5	2.4	1.7	1.0	0.8
1896	1,143	9.9	2.5	1.8	1.0	0.8
1897	1,166	10.7	2.8	2.0	1.1	0.9

Customs dues are another source of considerable revenue in Egypt. Unlike most Egyptian financial measures the tariff system is very simple. With the exception of tobacco, uniform ad valorem export duties of one per cent., and import duties of eight per cent. are levied on all goods. The duty on tobacco is a uniform tax of about four shillings per kilogram, regardless of price. The cultivation of tobacco in Egypt is prohibited. The value of goods imported is determined by experts, either on the basis of the purchase price in their original country plus the cost of transportation, or on the basis of the wholesale price at the port of disembarkation, minus a discount of ten per cent. The following table gives an idea of the growth of customs revenue since 1882. The principal articles of import are cotton tissues, metals, cereals, wood and coal; of exports, raw cotton, cereals, vegetables, and sugar. The ratio of the cost of collecting the customs revenue to the gross receipts is said to be about 3 to 62.

GROWTH OF CUSTOMS REVENUE—1882–1898.

(000 omitted,)

YEAR.	DUTIES.	TOBACCO.	TOTAL.
1882	516	108	624
1883	652	106	758
1884	652	147	799
1885	708	212	920
1886	628	304	932
1887	648	289	937
1888	622	332	959
1889	586	441	1,027
1890	652	728	1,379
1891	808	829	1,636
1892	815	655	1,470
1893	756	787	1,545
1894	825	933	1,758
1895	770	969	1,739
1896	890	1,006	1,896
1897	935	1,005	1,979
1898	959	1,081	2,040

The items of expenditure, not already referred to, that probably deserve special mention are those coming under the heads of public works and public instruction. The item under the head of public works most deserving of attention is that of irrigation. Egypt is preeminently an agricultural country, over 61 per cent. of her population are engaged in agricultural labor. The vast tracts of land cultivated by these people are dependent for their irrigation almost entirely upon the Nile river. "In Upper Egypt rain practically never falls. Even in Lower Egypt it is a negligible quantity." Sufficient irrigation for certain crops can be obtained by the unaided action of the river, but for thousands of years it has been known that the efficiency of the soil could be greatly increased by artificial means of irrigation. No kind of expenditure on the part of the Egyptian government has paid so well in the past as that devoted to works of irrigation; no other sort of investment so directly benefits the great mass of the

Egyptian people.[1] Fortunately the Egyptian government is beginning to realize this. The total expenditure on the irrigation budget in 1897 amounted to over £900,000. During the same year the Caisse made a special grant of £530,000 for new irrigation works. The great dam now in course of construction across the Nile at Assuan will, when completed, be a work of such magnitude as to almost cause the ancient sphynx to hide its face with envy. The dam is being built of granite ashlar; it will be seventy-six feet high in places, have approaches nearly a mile and a quarter long, and will be able to contain, it is estimated, a billion tons of water.[2] The contractors are to receive from the Egyptian government for this task "semestrial payments of £78,613 over a period of thirty years, beginning from the 1st July, 1903."[3] The success of this proposed plan of irrigation is already assured. Of this project Lord Cromer says in his report for 1898: "I am aware that it may at first sight appear a somewhat hazardous financial undertaking to increase the liabilities of the Egyptian treasury whilst the Soudan question is still only partially settled. My belief is, not only that this danger is apparent rather than real, but also that the expenditure of capital to improve the water supply of Egypt, and thus increase the revenue, affords the best and most certain way out of any financial difficulties which may be impending by reason of the whole or partial reoccupation of the Soudan."

Another department of Egyptian expenditure which has great possibilities for the future, is that of public

[1] It is estimated that the development of cotton culture due to the completion of the barrage at Cairo yields to the government annually a revenue of at least ten million dollars.

[2] Penfield, "Present Day Egypt," p. 151.

[3] Annual Report of Lord Cromer, for 1898.

instruction. In 1897 it is said that of the entire Egyptian population, only 467,886 or 4.8 per cent. could read and write. Every year, however, the government is paying more attention to the work of public instruction. Of a total of 227,409 pupils in Egyptian schools in 1897, 10,859 were under the immediate direction of the department of Public Instruction. According to Mr. White, the ministry of Public Instruction has three budgets, the first is the annual government grant, which of recent years has tended to increase steadily, the second is a "special fund derived from the management of estates which Ismail constituted into a Wakf and to which he made other donations. And lastly, there is the annual subsidy paid by the Wakf's administration in support of their primary schools in Cairo which the government took over in 1889." Mr. White estimates the net annual expenditure of the Ministry of Public Instruction at between £ E. 90,000 and £ E. 100,000. The expenditure on public instruction thus shows an increase of something like thirty-seven per cent. over that of 1881.

The character of the other items of revenue and expenditure does not require any detailed description. Taken as a whole the facts seem to show that Egypt's finances are to-day in a far better condition than when England came into control. The following somewhat disconnected facts selected from the "Statistical Returns[1]" (1881–1897) will perhaps serve to summarize Egypt's financial progress since the establishment of the "single control." "The taxation per head of population in 1881 was £1, 2 s., 6 d. In 1897 it was 17 s., 9 d. "212 miles of new railway have been opened."

[1] Quoted by A. Sylva White in "The Expansion of Egypt", pp. 196, 197, 198.

"Large sums of money have been expended of late years on irrigation, *i. e.*, on reproductive works." "The number of men called out on corvée has been reduced from 281,000 to 11,000." "Imports have increased by over £2,600,000; while, notwithstanding the enormous fall in the price of cotton and sugar, there has been only a slight falling off in the value of exports." "The amount of bonds outstanding in the market in 1881 was £98,376,660, Sterling. In 1897 it was £98,035,780, Sterling—notwithstanding £13,219,000, Sterling, of fresh debt raised to cover extraordinary expenditure, and £3,400,000, Sterling, increase of capital due to conversion. The interest charge in 1881 was £4,235,921. In 1897 it was £3,908,684." "The market price of 5 per cent. Privileged Debt in 1881 was £96¼. In 1897 the market price of the same Debt converted into 3½ per cent. was £102." "The 4 per cent. Unified Debt was £71¾ in 1881, and at £106½ in 1897.' "The amount of debt per head of population was in 1881, £14, 8 s., 9d. It is to-day (1897) £10, 0 s., 2 d."

E. W. KEMMERER.

TABLE I.

REVENUE AND EXPENDITURE (IN MILLIONS OF POUNDS EGYPTIAN.)

Year.	Revenue received from Taxation.			Miscellaneous, includ. Extraordinary Receipts.	Railways, Telegraphs, Post Offices, etc.	Total Receipts	Ordinary Expenditure.	Extraordinary Expenditure.	Total.	Surplus (or Deficit), includ. Extraordinary Expenditure.
	Direct Tax.	Indirect Tax.	Total.							
	£ E.	£ E.	£ E.	£ E.	£ E.	£ E.	£ E.	£ E.	£ E.	£ E.
1881	5.3	2.1	7.4	0.3	1.5	9.2	8.3	0.4	8.7	0.5
1882	5.4	1.8	7.2	0.3	1.4	8.9	8.8	0.3	9.0	—0.2
1883	5.2	2.0	7.2	0.2	1.4	8.9	8.6	1.6	10.2	—1.3
1884	5.4	2.1	7.5	0.2	1.7	9.4	9.3	0.8	10.1	—0.7
1885	5.4	2.2	7.6	0.7	1.8	10.2	9.3	4.6	13.9	—3.7
1886	5.4	2.2	7.6	0.6	1.5	9.7	9.6	0.7	10.3	—0.5
1887	5.5	2.2	7.7	0.4	1.6	9.8	9.2	0.9	10.1	—0.3
1888	5.5	2.3	7.7	0.6	1.6	9.9	9.6	2.0	11.6	—1.8
1889	5.5	2.4	7.8	0.6	1.6	10.0	9.5	0.5	10.0	—0.0
1890	5.5	2.7	8.2	0.5	1.7	10.4	9.6	0.9	10.5	—0.1
1891	5.3	3.0	8 3	0.6	1.9	10.8	9.5	0.5	10.0	0.7
1892	5.2	2.7	8.0	0.5	2.0	10.5	9.6	0.3	9.9	0.5
1893	5.1	2.9	8.0	0.5	1.9	10.4	9.6	0.4	10.0	0.4
1894	4.7	3.1	7.8	0.5	2.0	10.4	9.5	0.4	9 9	0.5
1895	5.1	3.0	8.1	0.6	2.0	10.7	9.5	0.2	9.6	1.1
1896	5.0	3.2	8.2	0.7	2.1	11.0	9.6	0.9	10.5	0.5
1897	5.0	3.4	8.4	0.8	2.2	11.4	9.8	1.0	10.8	0.7

TABLE II.

RECAPITULATION OF LOANS, (IN MILLIONS OF POUNDS STERLING.)

Year.	Guaranteed Debt. Outstanding Jan. 1.	Privileged Debt. Outstanding Jan. 1.	Unified Debt. Outstanding Jan. 1.	Domains Debt. Outstanding Jan. 1.	Daïra Samieh Debt. Outstanding Jan. 1.	Grand Total.		Bonds held by Public Debt Commission.
						Total Debt.	Interest and Sinking Fund.	
	£ stg.	£ stg.	£ stg.	£ stg.	£ stg.	£ stg.	£ E.	£ stg.
1881	------	22.6	57.8	8.5	9.5	98.4	4.2	--------
1882	------	22.5	57.0	8.4	9.3	97.2	4.2	--------
1883	------	22.5	56.7	8.3	9.0	96.5	4.2	--------
1884	------	22.4	56.0	7.8	8.8	95.0	4.1	--------
1885	9.4	22.3	56.0	7.7	8.8	104.2	4.1	--------
1886	9.4	22.3	56.0	7.5	8.7	103.9	4.3	--------
1887	9.3	22.3	56.0	7.4	8.7	103.6	4.3	--------
1888	9.2	22.3	56.0	6.9	8.6	103.0	4.3	--------
1889	9.2	22.3	56.0	5.5	8.6	101.6	4.3	0.6
1890	9.1	22.3	56.0	5.2	8.6	101.2	4.2	0.8
1891	9.1	29.4	56.0	5.0	7.3	106.8	4.0	1.2
1892	9.0	29.4	56.0	4.9	7.3	106.5	4.0	1.9
1893	8.9	29.4	56.0	4.8	7.2	106.4	4.0	2.5
1894	8.8	29.4	56.0	4.2	7.0	105.5	3.9	2.7
1895	8.8	29.4	56.0	4.0	6.6	104.8	3.9	3.5
1896	8.7	29.4	56.0	3.9	6.6	104.6	3.9	4.1
1897	8.6	29.4	56.0	3.8	6.6	104.4	3.9	5.0
1898	8.6	29.4	56.0	3.5	6.4	103.9	--------	5.8

TABLE III.—GENERAL RESERVE FUND OF CAISSE,
(IN THOUSANDS OF POUNDS EGYPTIAN.)

Year.	Opening Balance.	Share of Surplus.	Proceeds of Sale of Land.	Interest on Investment.	Miscellaneous.	Total.	Expenditure.[1]	Advances		Total.	Closing Balance.	Advances guaranted by Reserve Fund & Expenditures to be Inc.	Balance.
								Buildings.	Railways.				
	£E	£E	£E	£E	£E	£E	£E	£E	£E	£E	£E	£E	£E
1887	----	68	----	----	----	408	----	----	----	----	408	----	408
1888	408	93	50	20	----	572	----	----	---	----	572	----	572
1889	572	130	42	30	----	775	----	20	----	20	754	----	754
1890	754	385	79	37	----	1,256	----	3	----	3	1,253	----	1,253
1891	1,253	445	12	57	1	1,769	32	1	----	33	1,735	677	1,059
1892	1,735	259	24	71	2	2,091	133	----	----	133	1,958	756	1,201
1893	1,958	257	16	67	15	2,313	----	----	495	495	1,818	787	1,030
1894	1,818	224	29	73	55	2,200	----	----	----	----	2,200	1,512	1,688
1895	2,200	354	11	84	42	2,691	16	19	124	159	2,532	1,327	1,205
1896	2,532	455	37	89	60	3,172	18	13	100	131	3,041	1,350	1,691
1897	3,041	630	41	115	47	3,874	43	----	6	319	3,554	1,893	1,661

[1] The expenditures are all for construction of public buildings except £E250,000 for drainage and irrigation and £E20,000 for other purposes in 1897.